



Cornerstone

HOME LENDING, INC.
Correspondent Lending Division

TO: Correspondent Lenders

FROM: Angela Breidenbach, Operations Manager

DATE: January 9, 2014

RE: Dodd-Frank Act – ROLL OUT

Loan Classification

Loans with application dates, on or after January 10, 2014, must meet one of the following classifications:

- QM
- Temporary Provision/Agency QM
- HPML QM
- HPML Temporary Provision/Agency QM
- Exempt – Investment Property (Note: cannot be occupied by borrower(s) more than 14 days in a year)

New/Updated Forms

To further support Dodd-Frank Regulatory changes, Cornerstone is:

- Attaching a copy of the updated Delivery Submission Form with **Mandatory** Regulatory Section. Please be sure to use this version. The previously published versions are obsolete.
- Attaching a copy of **mandatory** HOEPA/HMDA/HPML form. Please be sure to use this version. The previously published versions are obsolete.
- Attaching a copy of recommended Income and Debt Worksheet. This is not a required form. However, due to the additional emphasis ATR is placing on income and debt, we are strongly recommending its use, or the use of an equivalent form.

These forms are also posted in the Forms section of the Cornerstone Correspondent web-site: www.chlcorrespondent.com.

Required Documentation

As a reminder, Cornerstone will require the following documentation on all files with application dates on, or after January 10, 2014:

- Delivery Submission Form with Mandatory Regulatory Section completed
- Copy of your HOEPA and Points and Fees test(s) showing specific detail used to test the loan (i.e. fees, credits, etc); as well as the outcome of said test(s).
- Completed HOEPA/HMDA/HPML form. If loans is HPML, must complete HPML Certification (on same form).
- Copy of Homeownership Counseling Services form. Does not need to be signed by the borrower(s); unless there is a signature line on the document.
- Loan Officer NMLS number on Note and DOT
- Due to emphasis ATR/QM is placing on income and debt documentation, a copy of the completed Income and Debt Worksheet is strongly recommended.

Cornerstone Overlays

- Cornerstone will not accept loans under the Non-Standard to Standard QM exemptions. HOWEVER, if you have a non-standard loan in your portfolio and will be refinancing it as a QM loan, Cornerstone will purchase.
- Refreshed credit within 48 hours of closing on all non-conforming (Jumbo) loans
- Cornerstone will not currently allow Upfront PMI to be excluded from the Points and Fees Calculation (monthly PMI, FHA UFMIP and VA Funding fee are excludable).
- DU Refi Plus has DTI and FICO limits (see Product Guidelines and Overlays section of Correspondent web-site). Reminder: All DU Refi Plus loans must be underwritten by Cornerstone.

Updated Policy Manual

The Cornerstone Correspondent Loan Policy Manual has been updated as follows:

Section	Current	Revised																					
100.00	On an annual basis, CHL will require updated information from each new Correspondent including, but not limited to: updated professional resumes for any new operations manager(s) and /or underwriting personnel, and updated audited financials.	On an annual basis, CHL will require updated information from each new Correspondent including, but not limited to: updated professional resumes for any new operations manager(s) and /or underwriting personnel, updated audited financials, updated Compliance Questionnaire, updated QC policies and procedures (must include compliance plan for any local, state or federal policies implemented since previous publication of plan).																					
215.00	No previous Extension/Re-Pricing policy for service released loans.	<p>215.02 Service Released Loans – Jumbo Products A service released loan will be subject to re-pricing if it is delivered to CHL after the Lock Expiration Date, if it is delivered to CHL in non-purchasable form and the deficiency is not corrected within the Pre Purchase Suspension period, or if final investor conditions loan post purchase, and deficiency is not corrected within Post Purchase Suspension period as defined below.</p> <table border="1" data-bbox="878 716 1528 1986"> <thead> <tr> <th data-bbox="878 716 1040 749"></th> <th data-bbox="1040 716 1292 749">F-Jumbo Product</th> <th data-bbox="1292 716 1528 749">R – Jumbo Product</th> </tr> </thead> <tbody> <tr> <td data-bbox="878 749 1040 846" rowspan="4">Extension Policy</td> <td colspan="2" data-bbox="1040 749 1528 814">Request must be made on or before expiration date</td> </tr> <tr> <td colspan="2" data-bbox="1040 814 1528 846">Limited to 2 requests</td> </tr> <tr> <td data-bbox="1040 846 1292 947">Loan amount cannot change more than 5%</td> <td data-bbox="1292 846 1528 947">n/a</td> </tr> <tr> <td data-bbox="1040 947 1292 1079">If lock expires, must wait 75 days to re-lock, or worst case pricing</td> <td data-bbox="1292 947 1528 1079">If lock expires, must wait 45 days to re-lock, or worst case pricing</td> </tr> <tr> <td colspan="3" data-bbox="1040 1079 1528 1205">Contact Cornerstone Secondary for extension pricing: www.cornerstoneclcd@houseloan.com or 855-683-6683</td> </tr> <tr> <td data-bbox="878 1205 1040 1892">Pre Purchase Suspension</td> <td colspan="2" data-bbox="1040 1205 1528 1892">If the loan is delivered on or before the Lock Expiration Date, but is identified as having deficient documentation, CHL must receive, by the later of the most current lock expiration date or Suspension Deficiency Cure Period which is defined as three business days from the date of suspension, those items required to cure suspension deficiencies. Failure to clear suspended items, within the later of the most current lock expiration date or three business days from the date of suspense, will result in re-pricing as indicated in Section 215.00 Re-pricing Policy above. Loans which have been suspended for purchase, that are not cleared for purchase within 30 days of the suspense notice, may be returned to the Correspondent Lender, and CHL is not obligated to purchase.</td> </tr> <tr> <td data-bbox="878 1892 1040 1986"></td> <td data-bbox="1040 1892 1292 1986">A delivery fee of the greater of .125% or 2bps/day</td> <td data-bbox="1292 1892 1528 1986">7 calendar days from first notification to</td> </tr> </tbody> </table>		F-Jumbo Product	R – Jumbo Product	Extension Policy	Request must be made on or before expiration date		Limited to 2 requests		Loan amount cannot change more than 5%	n/a	If lock expires, must wait 75 days to re-lock, or worst case pricing	If lock expires, must wait 45 days to re-lock, or worst case pricing	Contact Cornerstone Secondary for extension pricing: www.cornerstoneclcd@houseloan.com or 855-683-6683			Pre Purchase Suspension	If the loan is delivered on or before the Lock Expiration Date, but is identified as having deficient documentation, CHL must receive, by the later of the most current lock expiration date or Suspension Deficiency Cure Period which is defined as three business days from the date of suspension, those items required to cure suspension deficiencies. Failure to clear suspended items, within the later of the most current lock expiration date or three business days from the date of suspense, will result in re-pricing as indicated in Section 215.00 Re-pricing Policy above. Loans which have been suspended for purchase, that are not cleared for purchase within 30 days of the suspense notice, may be returned to the Correspondent Lender, and CHL is not obligated to purchase.			A delivery fee of the greater of .125% or 2bps/day	7 calendar days from first notification to
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		Post Purchase Suspension	will be charged if the required documentation is not received by the LATER of i) 5 business days after the Notification Date or ii) the lock expiration date	submit required documentation, or loan is subject to a -2.0bps/day price adjustment
602.01(U)	<i>Compliance with 5 Percent Fee Limitation.</i> The origination points, non-pass-through fees and yield spread premium collected on each mortgage loan combined do not exceed five (5) points	<i>Compliance with Dodd-Frank Act.</i> Correspondent policies must comply with all rules issued by the Consumer Finance Protection Bureau (CFPB) under the Dodd-Frank Act, including, but not limited to Ability to Repay and Qualified Mortgage (ATR-QM); amendments to Equal Credit Opportunity Act (ECOA) and Truth-in-Lending (TILA), including but not limited to HOEPA, LO Compensation and Higher-Priced Mortgage Loans (HPML). Each loan sold to CHL, by the Correspondent, must strictly adhere to CFPB ruling in accordance with the Dodd-Frank Act.		
602.06(C)	<i>C. No Solicitation.</i> Neither the Correspondent nor any of the Correspondent's affiliates shall specifically target any mortgage loan sold to CHL for refinance or target the mortgagor relating to any such mortgage loan for the sale of any other financial products. The Correspondent and the Correspondent's affiliates may promote the terms they have for refinancings or other financial products by sending letters or promotional materials to the mortgagors for (a) all mortgage loans serviced by the Correspondent or originated by the Correspondent during a Specified Time Period, (b) specific types of mortgage loans (such as FHA-insured, VA-guaranteed, conventional fixed rate, or conventional adjustable rate) serviced by the Correspondent or originated by the Correspondent during a Specified Time Period or (c) all mortgage loans with interest rates which fall within specific ranges serviced by the Correspondent or originated during a Specified Time Period. For the purposes of this section, "Specified Time Period" means a period of not less than six months commencing no later than three months prior to origination of the applicable mortgage loans. Neither the Correspondent nor any of the Correspondent's affiliates may, however, treat the mortgage loans sold to CHL as a different class of mortgage loans for the purposes of advertising the availability of refinancing terms or other financial products. Furthermore, neither the Correspondent nor any of the Correspondent's affiliates will transfer or otherwise disclose any information with respect to the mortgages loans sold to CHL, or assist any other person or entity in making a direct solicitation of the related mortgagors. With respect to each TPO Mortgage Loan the Correspondent shall use its best efforts, including the exercise of any available contractual remedies, to cause the applicable TPO to refrain from any action to solicit, directly or indirectly, the prepayment of the TPO mortgage loan by the Mortgagor, in whole or in part, without prior written consent of CHL.	<i>C. No Solicitation.</i> Neither the Correspondent nor any of the Correspondent's affiliates shall specifically target any mortgage loan sold to CHL for refinance or target the mortgagor relating to any such mortgage loan for the sale of any other financial products. The Correspondent and the Correspondent's affiliates may promote the terms they have for refinancings or other financial products by sending letters or promotional materials to the mortgagors for (a) all mortgage loans serviced by the Correspondent or originated by the Correspondent during a Specified Time Period, (b) specific types of mortgage loans (such as FHA-insured, VA-guaranteed, conventional fixed rate, or conventional adjustable rate) serviced by the Correspondent or originated by the Correspondent during a Specified Time Period or (c) all mortgage loans with interest rates which fall within specific ranges serviced by the Correspondent or originated during a Specified Time Period. For the purposes of this section, "Specified Time Period" means a period of not less than six months commencing no later than three months prior to origination of the applicable mortgage loans. Neither the Correspondent nor any of the Correspondent's affiliates may, however, treat the mortgage loans sold to CHL as a different class of mortgage loans for the purposes of advertising the availability of refinancing terms or other financial products. Furthermore, neither the Correspondent nor any of the Correspondent's affiliates will transfer or otherwise disclose any information with respect to the mortgages loans sold to CHL, or assist any other person or entity in making a direct solicitation of the related mortgagors. With respect to each TPO Mortgage Loan the Correspondent shall use its best efforts, including the exercise of any available contractual remedies, to cause the applicable TPO to refrain from any action to solicit, directly or indirectly, the prepayment of the TPO mortgage loan by the Mortgagor, in whole or in part,		

		without prior written consent of CHL.
809.00	<p>809.00 Assignment of other Rights.</p> <p>In the event that a Mortgage Loan sold to CHL was purchased by Correspondent from another entity prior to the sale to CHL, the agreements between Correspondent and the entity from whom Correspondent purchased the Mortgage Loan must provide for the assignment to CHL or its designee of all Correspondent's rights and remedies related to a breach of representation or warranty for that specific Mortgage Loan transferred to CHL pursuant this Agreement and this Loan Policy Manual, if requested by CHL. The assignment to CHL or its designee of these rights and remedies shall be performed within 5 business days after the request of CHL for such assignment to CHL or its designee. The assignment of these rights and remedies shall not extinguish, replace, or diminish the rights or remedies of CHL under the Loan Purchase and Sale Agreement, the Loan Policy Manual, the Delegated Underwriting Agreement, if any, or any other agreements between Correspondent and CHL.</p>	<p>Section deleted.</p>

Please stay tuned for additional changes and clarifications. If you have questions, please call me at 505-814-7784 or contact me by e-mail at abreidenbach@houseloan.com.